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TAGS: AORC UNGA KUNR
SUBJECT: SCALE OF ASSESSMENTS: MEMBER STATES PROPOSE MODELS
FOR THE CONSIDERATION OF THE COMMITTEE ON CONTRIBUTIONS

REF: A. PHAM-SPRATT EMAIL 10/06/2008 1:31PM
¶B. PHAM-SPRATT EMAIL 10/22/2008 6:36PM

¶1. SUMMARY: On October 6, 2008, agenda item 122: "scale of assessments for the apportionment of the expenses of the United Nations" was formally introduced in the Fifth Committee. Member States had before them reports regarding the unpaid assessments from the Former Yugoslavia, the Secretary-General's (SYG) report on multi-year payment plans A/63/68, and the report of the Committee on Contributions (CoC) A/63/11. CoC Chairman Mr. Bernardo Griever introduced the CoC report. Statements were made by France on behalf of the EU, Antigua and Barbuda on behalf of the G77 ad China, Angola on behalf of the African Group, Japan, the Russian Federation, Iran, Mexico, Kuwait, Venezuela, and USDel. We have provided those statements to the Department (Ref A). A subsequent cable will be sent to the Department containing more details on the formal statements.

¶2. Beginning October 6, Member States began informal consultations on the CoC report A/63/11 and discussed elements of scale methodology. Discussions centered mainly on the ceiling (para. 3), Purchasing Power Parity (PPP) (para. 4), debt-burden adjustment (para. 5), and low per capita income adjustment (LPCIA) (para. 6). The CoC Chairman and an expert from the UN Statistics Division were available to answer questions from Member States. On Tuesday, October 21, Member States proposed language that requests the CoC to provide information regarding a variety of scale models (paras. 8 to 11). END SUMMARY.

INTRODUCTORY DISCUSSIONS

¶3. CEILING: G77 countries, namely Guatemala, Brazil, Nicaragua, Cuba, and Venezuela, were the only delegations that verbally criticized the 22 percent ceiling on Member States' assessments during informal discussions, citing this element as the "largest distorting factor" on the scale of assessments. Notably, the G77 supported the status quo methodology during the last review of scale methodology in ¶2006.

¶4. PPP: G77 countries also spoke out against the usefulness of PPP in the UN context. Much of their arguments were drawn from paragraph 32 of A/63/11. The G77 was concerned with PPP as comparable reliable data. Sweden, speaking on behalf of the EU, was the only delegation to mention PPP in a positive light, stating that the EU would like the CoC to further consider the potential application of PPP.

¶5. DEBT-BURDEN: The EU mentioned the possibility of employing only public debt and not total debt when calculating the debt-burden adjustment. The G77, however, favors the application of total debt, which makes a government's debt appear larger, therefore giving Member States a larger discount when assessments are adjusted for debt-burden.

¶6. LPCIA: The EU indicated concerns with the current way LPCIA is determined in the current methodology. The EU's

suggested changes to LPCIA would mean that there would be an increase in some G77 members' assessments. Comment: LPCIA and debt burden are the two most important aspects of G77 discounts on their assessments. The EU proposals relating to LPCIA are along the same lines as the proposal put forward by USG in 2006. End Comment.

LANGUAGE PROPOSALS

¶7. During informal discussions on Tuesday, October 21, the EU, CANZ, Mexico, and Palau/Nauru introduced language (Ref B) that will instruct the CoC, which is set to meet in June 2009, to consider specific models to calculate Member States' assessments.

¶8. MEXICO: Mexico's proposal included automatic annual recalculation and implementing a "neutral zone" of 10 percent below and above the LPCIA 80 percent threshold. Mexico believes that annual recalculation will ensure that the scale accounts for the most up-to-date data on nations' gross national income. Mexico indicated that the proposed "neutral zone" is intended to give countries set to graduate from the LPCIA threshold relief from paying large scale-to-scale increases.

¶9. PALAU/NAURU: Palau and Nauru proposed only one paragraph, asking the CoC to analyze the "burden imposed on countries with the smallest populations by the minimum assessment rate of 0.001 percent." Palau, in introducing the paragraph, argued that these smaller nations with a gross national income of less than 0.0001 percent floor are forced to pay above their "capacity to pay," creating a large financial burden.

¶10. EUROPEAN UNION: The EU proposed 10 scale models, including one that would maintain the status quo and one that would remove the 22 percent ceiling. The other models directly affect the debt-budget adjustment and the LPCIA. The EU argues that models addressing every element of the scale should be included and presented to the CoC for consideration.

¶11. CANZ: Canada, Australia, and New Zealand presented two paragraphs including four scale models for the CoC to analyze. Similar to a majority of the EU's proposals, CANZ's models affect the debt-burden approach and the LPCIA. One model features the stepped gradient approach proposed by USDel during the 2006 scale negotiations. Unlike the EU's proposal, all of CANZ's models include the 22 percent ceiling.

¶12. There is a potential that discussions in the Fifth Committee may stray from technical matters relating to the submission of models to the CoC to political debates regarding the substance of the various scale methodologies.
Khalilzad